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ACTION OES-06

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ACDA-07 AID-05 CEA-01 CEQ-01 CG-00 CIAE-00 CIEP-01

DLOS-06 DODE-00 DOTE-00 EPA-01 ERDA-05 FMC-01 TRSE-00

H-02 INR-07 INT-05 IO-13 JUSE-00 L-03 NSAE-00 NSC-05

NSF-01 OMB-01 PA-01 PM-04 PRS-01 SP-02 SS-15 USIA-06

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7602

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 7581

E.O. 11652: GDS

TAGS: EFIS; US; BR

SUBJ: US-BRAZIL SHRIMP AGREEMENT

REF: STATE 208118

1. SUMMARY: EMBOFFS MET WITH RESPONSIBLE FONMIN OFFICIALS FOR CANDID, PRELIMINARY DISCUSSION OF FUTURE OF SHRIMP AGREEMENT. EMBOFFS, DESCRIBING US OBJECTIVE AS INSURING CONTINUED ACCESS TO TRADITIONAL FISHING GROUNDS, DISCUSSED THREE OPTIONS AS OUTLINED REFTTEL ALONG WITH POTENTIAL DIFFICULTIES OF EACH. FONMIN REPS STATED GOB HAS ALSO GIVEN CONSIDERABLE THOUGHT TO SUBJECT BUT STATED FIRM POSITION COULD NOT BE FORMULATED BEFORE GOB EVALUATED RESULTS OF CURRENT LOS SESSION. DISCUSSION, HOWEVER, REVEALED THAT MAIN PROBLEMS MAY INCLUDE ENFORCEMENT FEE ISSUE AND INCREASED PRESSURE FROM BRAZILIAN NAVY FOR TOTAL NATIONALIZATION OF SHRIMP INDUSTRY. END
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SUMMARY.

2. ECONOFFS MET WITH FONMIN/BASIC PRODUCTS DIVISION CHIEF, COUNSELOR DYRCEU PINHEIRO AND FIRST SECY. MARCELO DIDIER (ACTION OFFICER FOR SHRIMP AGREEMENT) ON AUGUST 26 FOR WHAT BOTH SIDES ACCEPTED AS PRELIMINARY, INFORMAL SOUNDINGS CONCERNING THE FUTURE OF THE US-BRAZIL SHRIMP AGREEMENT. DRAWING ON REFTEL, ECONOFF OUTLINED THREE POSSIBLE OPTIONS AND THE POTENTIAL DIFFICULTIES OF EACH: (1) EXTEND THE PRESENT AGREEMENT, (2) NEGOTIATE A NEW AGREEMENT, OR (3) OPERATE WITHOUT AN AGREEMENT. ECONOFF STATED BASIC USG INTEREST WAS TO INSURE US INDUSTRY ACCESS TO TRADITIONAL FISHING GROUNDS.

3. PINHEIRO REPORTED GOB HAD ALSO BEGUN STUDYING FUTURE OF THE AGREEMENT AND WAS ITSELF CONSIDERING VARIOUS OPTIONS. CONCERNING OUR FIRST OPTION, ECONOFF POINTED OUT THAT EXTENSION OF AGREEMENT INCLUDING CONTINUED GOB ENFORCEMENT FEES MIGHT WELL DRAW CONGRESSIONAL OPPOSITION FOR REASONS CITED PARAGRAPH 4 REFTEL. PINHEIRO FRANKLY REPLIED THAT IF THE GOB WERE TO AGREE TO EXTEND THE PRESENT AGREEMENT, IT PROBABLY WOULD HAVE TO INCLUDE AN INCREASE IN ENFORCEMENT FEES. HE ADMITTED THAT THE GOB ONLY CHARGED "TOKEN" ENFORCEMENT FEES OF THOSE LDCS WITH WHOM BRAZIL HAD SHRIMP AGREEMENTS (TRINIDAD AND TOBAGO, BARBADOS) BUT THAT THE PREVAILING SENTIMENT WITHIN THE GOB, BASED PARTIALLY ON BRAZIL'S BOP SITUATION, WAS THAT THE US, WHICH COULD AFFORD TO PAY MORE, SHOULD BE CHARGED MORE. PINHEIRO ADDED IT APPEARED THAT US CONGRESS WOULD BE AGAIN ATTEMPTING TO APPLY PRINCIPLE OF "STRICT RECIPROCITY" IN ITS BILATERAL DEALINGS WITH LDCS (I.E., BRAZIL). HE LATER STATED THAT THE CONGRESS "SEEMS TO BE TRYING TO DICTATE TERMS TO THE WORLD" IN RESPONSE TO EMBOFF'S REFERENCE TO "TERMS NOT MORE RESTRICTIVE THAN ACCESS PROVISIONS IN US LAW" (SECTION 201 OF FISHERY ACT OF 1976).

4. CONCERNING POSSIBILITY OF A NEW AGREEMENT, PINHEIRO REVEALED A SCHEME WHICH GOB MIGHT PUT FORTH: IF THE GOB WERE TO AGREE TO ELIMINATE ENFORCEMENT FEES ALTOGETHER, IT MIGHT CONSIDER A NEW AGREEMENT WHICH WOULD STIPULATE THAT US SHRIMP VESSELS SELL A QUOTA OF THEIR CATCH

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TO BRAZILIAN FIRMS. DIDIER ENVISIONED SHRIMP VESSELS UNLOADING THIS QUOTA ON A LARGER, PROCESSING SHIP BEFORE PROCEEDING OUT OF AGREEMENT AREA TO HOME PORTS. THE QUOTAS, PRICES, ETC., COULD BE NEGOTIATED. ECONOFFS MADE NO COMMENT BEYOND AGREEING TO FORWARD IDEA TO WASHINGTON FOR REACTION.

5. IN DISCUSSING POSSIBILITY OF OPERATING WITHOUT AN

AGREEMENT, FONMIN OFFICIALS CHOSE TO LINK MATTER TO THE IDEA OF JOINT VENTURES. THEY HASTENED TO POINT OUT, HOWEVER, THAT THERE WAS PRESSURE FROM THE BRAZILIAN NAVY TO PUSH FOR COMPLETE NATIONALIZATION OF THE BRAZILIAN SHRIMPING INDUSTRY. THE OFFICIALS THEMSELVES DESCRIBED THIS AS A "RADICAL POSITION." DIDIER SAID HE WAS STRUGGLING TO COME UP WITH A JOINT VENTURE (NOTING BRAZILIANS PREFER TERM "COMPANY PARTICIPATION") SCHEME WHICH WOULD APPEAL TO BOTH BRAZIL AND THE US AND ASKED WHETHER WE HAD ANY IDEAS ON SUBJECT. ECONOFF SAID USG WOULD BE WILLING TO APPROACH OUR INDUSTRY ON SUBJECT, ADDING CAVEATS IN PARA 9.

6. PINHEIRO SAID THAT THE GOB WOULD NOT BE ABLE TO FORMULATE A FIRM POSITION ON ANY FISHING AGREEMENTS UNTIL AFTER THE CURRENT SESSION OF LOS CONFERENCE; HE ESTIMATED THEY COULD PRESENT MORE CONCRETE PROPOSALS AND IDEAS IN TWO MONTHS. ECONOFFS SAID THEY WOULD INFORM WASHINGTON OF RESULTS OF OUR DISCUSSION AND RENEW CONTACT FOR FURTHER TALKS AT THE APPROPRIATE TIME.

7. COMMENT. IN EARLIER INFORMAL CONVERSATIONS WITH FONMIN RE SHRIMP AGREEMENT, WE WERE ALSO TOLD THAT THERE WOULD BE NECESSITY FOR CONSIDERABLE CONSULTATION WITHIN GOB, WITH ALL THAT IMPLIES RE TIME. (PINHEIRO ESTIMATED THAT BY JANUARY OR FEBRUARY 1977 THE GOB WOULD BE READY FOR SOME TYPE OF FORMAL NEGOTIATIONS.) THIS IS NOT STALLING ON THE GOB'S PART. THE FACT THAT THE PROCESS CANNOT BEGIN IN EARNEST UNTIL THE FONMIN'S SECRETARY GENERAL, AMBASSADOR GUERREIRO, RETURNS FROM THE LOS SESSION IN NEW YORK TELLS US THE LEVEL -- NO. 2 POSITION -- THIS MATTER WILL REACH INITIALLY IN THE FOREIGN MINISTRY. THE PROBABILITY OF A HARD LINE ON THE PART OF THE BRAZILIAN NAVY, PARTICU-
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LARLY IN REGARD TO INCREASED ENFORCEMENT FEES, CANNOT BE DISCOUNTED. NEVERTHELESS, THE GOB APPEARS TO BE PREPARED TO NEGOTIATE SOME FROM OF AN AGREEMENT OR ARRANGEMENT. THE FONMIN WORKING LEVEL OFFICIALS APPEAR TO BE GENUINELY OPEN TO SUGGESTIONS FOR ANY NEW ARRANGEMENTS WHICH ALSO WOULD CONTRIBUTE TO THE BRAZILIAN DEVELOPMENT OF THE SHRIMPING INDUSTRY. WE BELIEVE IT IS IMPORTANT TO KEEP A DIALOGUE GOING WITH THE FOREIGN MINISTRY DURING THIS FORMATIVE STAGE AND BEFORE POSITIONS HARDEN WITHIN THE GOB. THEREFORE, THE EMBASSY WOULD WELCOME INFORMATION AND IDEAS IN THE COMING WEEKS. IN ADDITION TO THE CARROT OF POSITIVE SUGGESTIONS, THE EMBASSY NEEDS TO HAVE DEFINITIVE INFORMATION AND GUIDANCE ON THE FISHERY ACT'S LEGISLATIVE SANCTIONS SINCE ALREADY OUR FOREIGN MINISTRY INTERLOCUTORS ARE BEGINNING TO RAISE QUESTIONS WITH US

IN THIS REGARD. END COMMENT.
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